



INSURANCE ASSOCIATION OF CONNECTICUT

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STATEMENT

INSURANCE ASSOCIATION OF CONNECTICUT

Insurance and Real Estate Committee

March 5, 2015

**HB 6870, AN ACT CONCERNING THE CONNECTICUT UNFAIR
INSURANCE PRACTICES ACT**

I am Eric George, President of the Insurance Association of Connecticut (IAC). The Insurance Association of Connecticut (IAC) opposes HB 6870, AN ACT CONCERNING THE CONNECTICUT UNFAIR INSURANCE PRACTICES ACT.

HB 6870 would make it an unfair claims settlement practice for an insurer to offer a settlement to an insured and then "stating or implying" that if the insured does not accept the settlement, "the insured must institute litigation in order to recover amounts due under an insurance policy". The vagueness of the "stating or implying" trigger for potential liability under the Connecticut Unfair Insurance Practices Act (CUIPA) makes HB 6870 fundamentally unfair and invites misuse.

For example, if an insured rejects an insurer's settlement offer and threatens to sue the insurer if it doesn't offer more money, does an insurance adjuster's response that the insurer's offer is final and that the insured is within his or her rights to file suit constitute "stating or implying" that "the insured must institute litigation"? Under HB

6870, such a statement could be so interpreted. That would clearly be an unfair result, as the parties have a legitimate dispute concerning the value of a claim and the adjuster has merely made a statement of fact.

HB 6870 would subject an insurer to potential CUIPA liability on the insured's mere assertion that the insurer stated or implied that litigation must be instituted. The potential for misuse and abuse of this new provision is obvious. Would an insurer have to put all communications with its insureds regarding settlements in writing in order to try to protect itself? Would even that be effective, given the language of HB 6870? This would certainly slow down the claims handling process, to the detriment of consumers and insurers.

The vague and subjective standard created in HB 6870 would be an entirely improper basis for a finding of an unfair claims settlement practice under CUIPA and any resulting monetary or administrative penalties.

IAC urges rejection of HB 6870. Thank you for the opportunity to present IAC's viewpoint.